

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 L-03 EB-08 EA-07 XMB-02

TRSE-00 OMB-01 CIAE-00 INR-07 NSAE-00 /048 W

-----090223 050526Z /15

R 032203Z AUG 77

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 7437

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

USDOC WASHDC

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PASS EXIMBANK

USDOC FOR ALAN STERLING BIC/OIM

E.O. 11652: N/A

TAGS: OCON, PFOR, BEXP, HO, XK

SUBJECT: US/JAPANESE CONSULTATIONS ON LATIN AMERICA

REF: STATE 176689

1. IN RESPONSE TO REFTEL EMBASSY WISHES TO SUGGEST FOR CONSIDERATION THE TOPIC OF SEMI-CONCESSIONAL TERMS WHICH JAPANESE ENTITIES ALLEGEDLY OFFER IN PROMOTION OF SOME MAJOR EXPORTS AND ENGINEERING/CONSTRUCTION PROJECTS. U.S. SUPPLIERS AND CONTRACTORS HAVE IN THE PAST COMPALINED THAT THESE NON-COMMERCIAL CREDIT TERMS, MADE POSSIBLE BY PARTIAL GOJ OWNERSHIP OR OTHER SPECIAL ARRANGEMENTS, GIVE JAPANESE COMPETITORS AN UNFAIR ADVANTAGE. A SPECIFIC CASE HAS BEEN DESCRIBED TO THIS EMBASSY BY GEONOMICS, LIMITED OFFICIAL USE

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INC., A BERKELEY, CALIFORNIA FIRM SEEKING GEOTHERMAL ENERGY EXPLORATION AND DEVELOPMENT CONTRACTS IN CENTRAL AMERICA.

2. ACCORDING TO MR. LOUIS GOLDSMITH, A GEONOMICS ENGINEER, MISSHO-IWAI (KAWASAKI), MITSUBISHI AND OTHER JAPANESE FIRMS ARE OFFERING, WITH GOJ SUPPORT, TOTAL FINANCING FOR GEOTHERMAL PROJECTS IN 20-YEAR, 7-8 PERCENT INTEREST BEARING LOANS WITH 4 YEARS

GRACE. THESE TERMS ARE BEING OFFERED, HE CLAIMS, IN ATTEMPTS TO SELL SERVICES (INCLUDING FEASIBILITY STUDIES) THROUGH TO COMPLETE POWER PLANTS AND ELECTRIC DISTRIBUTION SYSTEMS. KAWASAKI TRADING CO. OFFERED \$40 MILLION ON ABOVE TERMS FOR SUCH A PROJECT IN NICARAGUA, HE ADDED.

3. AMEMBASSIES IN CENTRAL AMERICA AND PANAMA HAVE SECURED COOPERATION OF USDOC AND MEXICO TRADE CENTER IN MOUNTING A CAMPAIGN TO SELL U.S. ENGINEERING SERVICES AND EQUIPMENT IN A SERIES OF GEOTHERMAL PROJECTS IN THIS SUB-REGION. AS PART OF THIS EFFORT, TECHNICAL SALES SEMINARS ARE SCHEDULED IN NOVEMBER AT THE TRADE CENTER AND IN GUATEMALA CITY AND SAN JOSE. IF THE LARGE AND SEMI-CONCESSIONAL CREDITS DESCRIBED BY MR. GOLDSMITH ARE IN FACT BEING OFFERED AND WITH GOJ SUPPORT IT WOULD PLACE U.S. FIRMS AT A CONSIDERABLE DISADVANTAGE, AND IT MAY BE AN APPROPRIATE TOPIC FOR THE SEPTEMBER CONSULTATIONS.

4. AN ALTERNATIVE TO A SUCCESSFUL REPRESENTATION TO GOH WOULD BE FOR WASHINGTON AGENCIES TO CONSIDER SUPPORTING U.S. CONTRACTORS AND SUPPLIERS WITH NEAR MATCHING CREDIT ARRANGEMENTS. AS AMEMBASSIES HAVE REPORTED, THERE ARE SEVERAL GEOTHERMAL POWER PROJECTS IN CENTRAL AMERICA WHICH, IF PROVEN FEASIBLE BY PRELIMINARY STUDIES AND EXPLORATORY DRILLING; COULD REPRESENT CONTRACTS WORTH IN EXCESS OF \$100 MILLION IN NEXT SEVERAL YEARS. INITIAL STUDIES AND DRILLING ARE BY NATURE TECHNOLOGY INTENSIVE, INVOLVING HIGH MOBILIZATION COSTS AND LOW RETURNS TO CONTRACTORS LIMITED OFFICIAL USE

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UNLESS THEY CAN BE ASSURED OF GOOD BACKING IN CREDIT TERMS AND OF MULTIPLE OR FOLLOW-ON CONTRACTS. IN SEPTTEL EMBASSY WILL PROPOSE ESTABLISHING A SPECIAL, MAJOR PROJECTS WORKING GROUP TO STUDY WAYS USG CAN OFFER IMPROVED FINANCING IN SUPPORT OF AMERICAN CONTRACTORS AND SUPPLIERS IN THIS IMPORTANT ENERGY FIELD. BARTCH

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**Review Markings:**  
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